GOVERNMENT OF INDIA
LAW , JUSTICE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:7673
ANSWERED ON:16.05.2002
EXEMPTION TO NOMINEE DIRECTORS
AMBATI BRAHMANAIAH

Will the Minister of LAW , JUSTICE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Government have exempted Nominee Directors of Financial Institutions from disqualification under Section 274(1)(g) of the Companies Act of 1956;

(b) whether orders have been sent to all regional directors and registrars of companies;

(c) if so, whether nominee directors will have any interest in protecting share holders from potential mis-management of the company;

(d) whether a more suitable punishment will be considered to ensure that Nominee directors are alert; and

(e) if so, the steps being proposed to ensure that companies are well managed?

Answer

MINISTER OF LAW, JUSTICE & COMPANY AFFAIRS (SHRI ARUN JAITLEY)

(a) to (e): Clarification has been sent to Regional Directors and Registrar of Companies that Nominee Directors appointed by the Public Financial Institutions and companies established under the Acts of Parliament having non-obstante provisions over the Companies Act, 1956, and Nominee Directors of Public Financial Institutions notified under Section 4A of the Companies Act, 1956, Central or State Government and banking companies are exempted from disqualification from being a Director provided they take measures like observance of good corporate governance practices, prevent misutilisation of funds, activate themselves in audit and remuneration committees and regularly attend the Board/Committee Meetings.